

**TOWARD A NEW
WORLD ORDER:
THE FUTURE OF NATO**

by

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In preparation for the NATO summit at the beginning of January 1994, the U.S. Administration has launched a new initiative called Partnership For Peace. I propose a radically different kind of Partnership For Peace and my argument is laid out in this paper. It was prepared for the November 12 - 13 conference on "Democracy, Peace and Security in the New Europe" sponsored jointly by the Council on Foreign Relations and the Central European University. It was subsequently revised in light of that conversation. It represents my personal views, not a consensus of the participants.

I realize that time is short, but I hope my proposal will receive serious consideration prior to the NATO summit and President Clinton's visit to Russia.

— GEORGE SOROS

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THE FUTURE OF NATO

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TOWARD A NEW WORLD ORDER: THE FUTURE OF NATO

THE COMING WORLD DISORDER

It is clear that the world order that prevailed since the end of the Second World War has come to an end. It had been based on two superpowers vying for world domination. They stood for diametrically opposed principles of social organization and they considered each other mortal enemies. The global conflict between them governed all the local conflicts. Occasionally it came to actual fighting, but both sides avoided an all-out confrontation because each side had the capacity to annihilate the other. It was possible to score local victories but they had to fall short of threatening the survival of the other side, because it might have endangered one's own survival. The prevailing order was called the Cold War. The name was apt because both sides were mobilized for war, battle lines were drawn throughout the world, and internal conflicts within each camp were kept frozen by the external threat.

The collapse of the Soviet empire was an internal development. Undoubtedly external pressure played a role but was not directly responsible for the collapse; otherwise, it would have been resisted. But that internally-generated revolutionary event has also changed the prevailing world order.

All this is clear now, but it was far from clear at the time it occurred. It caught most of the participants unaware. This is true of the leadership within the Soviet Union, but even more true of the leadership in the West. Gorbachev and his team were conscious that their internal reforms would change the world order; indeed, they were looking to a fundamental change in the rela-

tionship between the superpowers as the key to making the internal transformation successful. It should be remembered that the Foreign Ministry was the only part of the Soviet bureaucracy that was squarely behind perestroika, and foreign policy was the only part of the so-called "new thinking" that was properly elaborated.

Gorbachev's concept was to forge an alliance between the two superpowers which would dominate the United Nations and make it a workable institution. It will be recalled that one of the first acts of the new regime was to pay up its arrears to the United Nations. Behind this concept lurked the hope that Western aid, and Western investment, would help to reform the Soviet economy. But there was no plan, indeed no conception, how to accomplish it.

I know this from personal experience because I set up an international task force for creating an open sector in the Soviet economy under the authority of Prime Minister Ryzhkhov in 1988, and I was appalled by the lack of clarity and the inability to implement anything that characterized the proceedings.

Even so, events could have taken a different course if the Western leadership had any comprehension of what was going on in the Soviet Union. It would not have been so difficult to assist Gorbachev to produce some positive results so as to show that perestroika could work. But the idea that Gorbachev was genuinely seeking both assistance and alliance simply did not penetrate into the minds of a leadership that was bent on waging the Cold War; by the time it did, it was too late -- or at least it could be argued that it was too late.

Even today, the collapse of the Soviet empire is not properly understood. This is not just the normal delay in registering change. There is a fundamental lack of understanding which comes from working with false premises. The State Department is concerned with the relationship between states. That was

appropriate during the Cold War, when the world map was well defined and kept in place by the rivalry between the two superpowers. But it is not appropriate today, when existing states and empires are breaking down and new states are brought into existence, many of which do not really qualify as states. We need a totally different conceptual framework for dealing with this situation, because it involves not only relationships between states but also relationships within states, or what used to be states.

It is the characteristic of revolutions that people do not fully understand what is going on; that is why events spin out of control and the prevailing order breaks down. There is no doubt that the collapse of the Soviet system amounts to a revolution, and this fact is now generally recognized. But the collapse of the Soviet empire has also brought about a revolutionary change in the prevailing world order and this fact is not properly recognized. Indeed, it is widely ignored. People in the former Soviet empire cannot help being aware of the revolution, but people in the Western world have not been so directly affected. The Foreign Ministry of the former Soviet Union did produce some new thinking, even if it was rendered irrelevant by subsequent events; but our State Department has done practically no new thinking at all. Unless we develop a new frame of reference, the world order that prevailed since the Second World War is likely to be followed by world disorder.

A CONCEPTUAL FRAMEWORK

I should like to put before you a conceptual framework in terms of which the present situation can be understood. It has two major components: one is a theory of history, with particular reference to revolutionary change, and the other is a distinction between open and closed societies. The two elements are interconnected -- they share the same philosophical foundations -- but the connection is not very strong. It is possible to distinguish

between open and closed societies, as Karl Popper did, without any insight into the process of revolutionary change; and it is possible to use my theory of history without introducing the concepts of open and closed societies as I myself have done in my dealings in financial markets. But, at the present moment in history, I find the combination of the two elements particularly revealing.

I put forward my conceptual framework with some trepidation. For one thing, it is not fully developed. For another, it would take more than a few minutes to propound it properly. But I must make the attempt because I have used it and it works -- and I have been repeatedly surprised at how different it is from the way most people think.

A THEORY OF REVOLUTIONARY CHANGE

My theory of history is based on the recognition that our understanding of the world in which we live is inherently imperfect. We have to act without full knowledge of the facts because the facts are created by our decisions. There can be no correspondence between our view of the world and the actual state of affairs, because the actual state of affairs is not independently given and our view of the world has nothing definite to correspond to. Therefore, there must always be a discrepancy between the participants' thinking and the actual state of affairs and that discrepancy provides the key to understanding the course of history.

There are times when the discrepancy is relatively minor, and there is a tendency towards convergence between people's views and the actual state of affairs. That is the case when prevailing institutions are flexible enough, so that they can be adjusted to meet people's desires, and there are critical processes at work which bring people's thinking in line with practical possibilities. In these near-equilibrium conditions, the discrepancy does not influence the course of events to any great extent and it can be

safely neglected. It is in these conditions that the timelessly valid generalizations of economic theory, perfect competition, efficient markets, the discounting of future expectations, are relevant.

But there are times when the discrepancy between perception and reality is very wide and shows no tendency towards convergence. On these occasions, the course of events follows a totally different pattern and the normal rules do not apply. These far-from-equilibrium conditions arise at the two extremes of changelessness or rigidity on the one hand, and changeability or instability on the other.

The Soviet system under Stalin was a good example of the first kind of extreme, where the Bolshevik dogma was extremely rigid and incapable of modification. Society itself was highly regulated and frozen into inactivity. Yet there was an enormous gap between the prevailing dogma and reality, with absolutely no tendency for the two of them to come closer together. If anything, they drifted further apart as the outside world continued to evolve.

The progressive collapse of the Soviet system after 1987 is a very good example of the second kind of extreme, where the participants' thinking failed to keep up with the changes that were occurring in the real world and, because of the large divergence at a time of rapid change, events spun out of control. There was a catastrophic acceleration in the pace of events and a breakdown and disintegration which has perhaps not yet reached its climax. It is impossible to foretell how far it may go. I have been speaking of a "black hole" and there can be little doubt that we came close to it on Sunday night, October 3rd. Indeed, it was only the prospect of that "black hole" that finally convinced the army to intervene at 2:00 a.m. Monday morning. It is possible that, in retrospect, this may have proved to be the turning point in the process of disintegration; but it is also possible that it was only a temporary resistance point in a trend that has not yet run its course.

I have made a special study of these conditions of dynamic disequilibrium, both in the financial markets and in other settings. I find the boom/bust pattern that is common in financial markets also very helpful in understanding the rise and fall of the Soviet system. But, of course, one must not apply the pattern uncritically.

I shall not go into the details of my theory. The most important point I want to make about the boom/bust pattern is that it is a time-bound, one-directional process but it is open-ended and also characterized by discontinuities. That is to say, a prevailing trend can be reversed at any time; indeed, an eventual trend reversal is an integral part of the boom/bust pattern and the point at which the trend is reversed is not determined in advance. Indeed, in the financial markets, for every boom/bust pattern that becomes fully developed, a great many are aborted in the early stages.

Another important feature of the boom/bust pattern is that it is asymmetrical. The boom is drawn out, the bust is condensed. It is the lack of time that makes the bust so violent. Events happen so fast that it is very difficult to adjust one's thinking and behavior to changing circumstances. Policies which would have been appropriate in the early stages are ineffective or counterproductive at another. This can be very disorienting, especially when people do not recognize a distinction between near-equilibrium and far-from-equilibrium conditions.

OPEN AND CLOSED SOCIETIES

This brings me to the second part of my conceptual framework. To understand the current situation, I contend that it is very useful to draw a distinction between open and closed societies. The distinction is based on the same philosophical foundations as my theory of history, namely, that participants act on the

basis of imperfect understanding. Open society is based on the recognition of this principle and closed society on its denial. In a closed society, there is an authority which is the dispenser of the ultimate truth; open society does not recognize such authority even if it recognizes the rule of law and the sovereignty of the state. The state is not based on a dogma and society is not dominated by the state. The government is elected by the people and it can be changed. Above all, there is respect for minorities and minority opinions.

I think the distinction between open and closed societies is more revealing in the present situation than the Cold War distinction between communism and the free world, because it allows us to see the Soviet system as just one particular form of closed society. The important thing to recognize is that an open society is a more advanced, more sophisticated form of social organization than a closed society. In a closed society, one particular point of view prevails; but in an open society, every citizen is both allowed and required to have his own point of view. This means that an open society is both more desirable and more vulnerable. While a closed society may expend practically all its energies on maintaining the existing order, an open society takes a state of law for granted and builds a complex structure of institutions on top of it capable of producing wealth, prosperity and progress. The structure cannot evolve if the proper foundations are missing, and it can collapse if the foundations are disturbed.

A DIAGNOSIS OF THE PRESENT SITUATION

The Soviet system was a universal closed society because communism was a universal dogma. But the system has broken down and communism as a dogma is well and truly dead. There was a chance, at the early stages of the breakdown, to make the transition to a universal open society; but that would have required a major effort on the part of the free world and the effort

was not forthcoming. Therefore, that option is no longer open. The universal closed society held together by communist dogma has broken down into its territorial components. Some parts, like Poland and Hungary, are making progress towards a more open society; but even these countries tend to fall back on what prevailed before the communist regime. Other parts are reconstituting themselves as more or less closed societies, or they just continue to disintegrate.

To constitute a closed society, you need to mobilize society behind the state. Since communism is dead and universal ideologies are generally discredited, a closed society needs to be based on a national or ethnic principle. To establish such a principle, you need an enemy; if you don't have one, you need to invent it. In the post-communist world, you don't need to go very far to find an enemy because communism generally neglected or oppressed national aspirations.

Milosevic has provided the new paradigm: as head of the Communist Party in Serbia, he decided to change horses, and he discovered that nationalism is a much more vigorous animal than communism. He became popular when he asserted Serbian supremacy over Kosovo in a speech he delivered April 24, 1987 at Kosovo Polje. Events might have taken a different course if the economic reforms introduced by the Federal Prime Minister, Ante Markovic, on January 1, 1990 (the same date as the "big bang" in Poland), had born fruit. At first, the stabilization program was even more successful than in Poland, but in the course of the Serbian elections, Milosevic raided the Federal treasury and destroyed the stability of the currency. From then on, he set the agenda. The Western powers and the international community committed a number of egregious errors in dealing with the Yugoslav situation but, in retrospect, it is clear that the disintegration of Yugoslavia would have been difficult to prevent even if the Western powers had done everything right. The ease with which

Milosevic destroyed the economic reforms instituted by Markovic proves the point: open society is a delicate construct which it is easier to destroy than to develop.

This conceptual framework seems to provide a fairly accurate diagnosis of the situation. The trend is set in the direction of nationalist dictatorships and/or economic collapse, with the rise of nationalism hastening the economic breakdown and the breakdown eventually leading to the rise of a military strongman espousing nationalist principles. This sequence of events is not inevitable but it would require resolute action to avoid it.

Milosevic, on his own, does not constitute a security threat to Europe or to the rest of the world; but nationalist dictatorships do. That is the point that European statesmen who are set on appeasing Milosevic fail to understand. Already Serbia has a worthy counterpart in Croatia. Croatian forces recently committed a massacre in a Bosnian village, provoking retaliation by Bosnian Moslem forces; the effect is to force Bosnian Croats to flee from areas where they are in a minority to areas held by Croat forces, thereby constituting a majority there.

It is very tempting to appeal to nationalist emotions in order to divert attention from economic failure. Meciar is doing it right now in Slovakia. Iliescu in Romania relies on extreme nationalists for his parliamentary majority, and Antall in Hungary flirted with doing so. But, paradoxically, when economic disintegration is too advanced, it may be too late to mobilize society behind a national cause. That was certainly the case in Ukraine, where Kravchuk tried to play the nationalist card in connection with the Black Sea Fleet but failed, and it may also be true of Russia. If that is so, the danger of a nationalist dictatorship emerging in Russia -- which is, after all, the most important country from a security point of view -- will be the greatest after the economy has stabilized.

It is still possible to avert the danger, but who is going to make the effort? That is where my conceptual framework fails to provide an answer. The so-called free world failed to rise to the challenge when it would have been possible to set in motion a trend towards an open society. Why should it do anything now, when events are clearly going in the wrong direction and the free world has increasing problems of its own?

THE NEED FOR COLLECTIVE SECURITY

We did not oppose the Soviet Union because it was a closed society, but because it posed a threat to our existence. That threat has now disappeared and it is difficult to justify any kind of intervention -- whether it is political, economic or military -- on the grounds of national self-interest. It is true that the danger of some kind of nuclear disaster remains, but it concerns the rest of the world at least as much as it concerns us. Therefore, the only basis for action is collective security. And that is where the problem lies. The collapse of the Soviet empire has created a collective security problem of the utmost gravity. Without a new world order, there will be disorder; that much is clear. But who will act as the world's policeman? That is the question that needs to be answered.

The United States, as the remaining superpower, is weighed down by domestic difficulties which derive, at least partially, from the burdens of being a superpower. We are not like England in the nineteenth century which, as the main beneficiary of the world trading system, could afford to maintain a fleet in being that could be sent to distant trouble spots. There is a discrepancy between the needs of the world for a new world order and the national self-interest of the United States. The United States cannot be expected to act on its own. Can it act in concert with others?

Let us take a look at Europe. Europe has responded to the Soviet collapse and the reunification of Germany by accelerating the integration of the European Community. But the reunification of Germany created a dynamic disequilibrium in the European Monetary System and the attempt to establish a common European foreign policy came a cropper in Yugoslavia. As I have explained on a different occasion*, the Maastricht Treaty turned into a boom/bust sequence which is now self-reinforcing in the negative direction. How far the process of disintegration will go is impossible to say, but it may go much further than currently anticipated unless resolute action is taken to reverse it.

The United Nations might have become an effective organization if it were under the leadership of two superpowers cooperating with each other. As it is, the United Nations has already failed as an institution which could be put in charge of U.S. troops. This leaves NATO as the only institution of collective security that has not failed, because it has not been tried. NATO has the potential of serving as the basis of a new world order in that part of the world which is most in need of order and stability. But it can do so only if its mission is redefined. There is an urgent need for some profound new thinking with regard to NATO.

THE FUTURE OF NATO

The original mission was to defend the free world against the Soviet empire. That mission is obsolete; but the collapse of the Soviet empire has left a security vacuum which has the potential of turning into a "black hole." This presents a different kind of threat than the Soviet empire did. There is no direct threat from the region to the NATO countries; the danger is within the region, and it concerns conditions within states as much as relationships between states. Therefore, if NATO has any mission at all, it is to

* George Soros, PROSPECT FOR EUROPEAN DISINTEGRATION, *The Soros Foundations*, New York, 29 September 1993.

project its power and influence into the region, and the mission is best defined in terms of open and closed societies.

Closed societies based on nationalist principles constitute a threat to security because they need an enemy, either outside or within. But the threat is very different in character from the one NATO was constructed to confront, and a very different approach is required to combat this threat. It involves the building of democratic states and open societies and embedding them in a structure which precludes certain kinds of behavior. Only in case of failure does the prospect of military intervention arise. The constructive, open society building part of the mission is all the more important because the prospect of NATO members intervening militarily in this troubled part of the world is very remote. Bosnia is ample proof.

PARTNERSHIP FOR PEACE — AS PROPOSED

Unfortunately, the American proposal for the forthcoming NATO summit, the so-called Partnership For Peace, does not deal with this issue at all. It is a very narrow, technical proposal for holding common exercises and otherwise preparing for possible future cooperation with member countries of the former Warsaw Pact. The scope of possible future cooperation is described as peace-keeping, crisis management, search-and-rescue missions, and disaster relief. While useful as far as it goes, it fails to address the conflicting security needs of the countries concerned.

The countries of Central Europe are clamoring for full membership of NATO as soon as possible, preferably before Russia recovers. Russia objects, not because it harbors any designs on its former empire but because it sees no advantage in consenting. Its national pride has been hurt and it is sick and tired of making concessions without corresponding benefits.

The Partnership For Peace, far from being the product of profound new thinking, is a rather superficial attempt to paper over the differences by making an overture to all the former members of the Warsaw Pact indiscriminately, while leaving the prospect of some countries joining NATO deliberately vague. It may end up engendering more conflicts than it resolves.

This is a great pity because the conflicts could be easily avoided if the real needs of the region were addressed. The primary need is for constructive engagement in the transition to democratic, market-oriented, open societies. This requires an association or alliance which goes far beyond military matters and contains a significant element of economic assistance. Both the military and the economic aspects of the alliance have to relate to internal political developments within states as much as to relationships between states, because peace and security in the region depend first and foremost on a successful transition to open society.

A REAL PARTNERSHIP FOR PEACE

The mission of this new kind of alliance is so radically different from the original mission of NATO that it cannot be entrusted to NATO itself. If it were, it would change NATO out of all recognition. A different kind of organization is needed, and the proposed Partnership For Peace could be that organization.

The Partnership For Peace would not contain any of the automatic guarantees which have given NATO its clout. In the current unstable conditions, that would be unthinkable. Its main task would be to help with the process of transformation into open societies. For that purpose it must lay the emphasis on the political and economic aspects of the transformation.

In order to have any clout at all, the Partnership for Peace must have a structure and a budget. That is what NATO could bring to the table.

NATO has a unified command structure which brings together the United States and Western Europe. There are great advantages in having such a strong Western pillar: it leads to a lopsided structure firmly rooted in the West. This is as it should be since the goal is to reinforce and gratify the desire of the region for joining the open society of the West.

It would be an express condition of membership in the Partnership for Peace that NATO is free to invite any member country to join NATO. This would avoid any conflict that could arise either from the enlargement of NATO against the wishes of Russia or from giving Russia veto over NATO membership. The specter of the past looms large: one must avoid the suspicion of either a new "cordon sanitaire" or a new Yalta. A Partnership For Peace along the lines outlined here would avoid both suspicions. It must be attractive enough to induce Russia to subscribe. If it does, there is nothing to prevent countries like Poland, the Czech Republic and Hungary from being admitted to some form of membership in NATO, the character of which would depend on their internal development.

The budget of the Partnership for Peace must come out of the NATO budget. There may be some elements in the military-industrial complex that may object to such a re-allocation of resources, and they have a strong argument in their favor: if nothing is done on the economic and political front, defense budgets will soon have to be increased rather than reduced; but if the Partnership For Peace is successful, a more than proportional reduction in defense budgets could be sustained. It is on this issue that political leadership must be brought to bear.

There is a clear and present danger to our collective security. The Yugoslav experience has shown that military intervention is not a viable option. Therefore the only way to deal with it is by constructive engagement, including economic aid. But economic aid does cost money and the money can only be found in the defense budgets. It should still produce a net reduction in defense expenditures.

The countries of Europe must bear a larger share of the cost and have a correspondingly larger say in NATO. Economic aid to Eastern Europe would provide a much needed stimulus to the depressed European economies. The fact that the present command structure of NATO is too lopsided in favor of the United States is well recognized by all parties; making NATO the pillar of the Partnership For Peace would hasten the process of adjustment. Specifically, it should induce France to re-enter as a full member. That would serve as the test of the success of its internal reorganization.

There is only one deficiency in this design: it leaves Japan out of account. Japan should be asked to join NATO. Then we would have the beginnings of an architecture for a new world order. It is based on the United States as the remaining super-power and on open society as the organizing principle. It consists of a series of alliances, the most important of which is NATO and, through NATO, the Partnership For Peace which girds the Northern Hemisphere. The United States would not be called upon to act as the policeman of the world. When it acts, it would act in conjunction with others. Incidentally, the combination of manpower from Eastern Europe with the technical capabilities of NATO would greatly enhance the military potential of the Partnership because it would reduce the risk of bodybags for NATO countries, which is the main constraint on their willingness to act. This is a viable alternative to the looming world disorder.

PROBLEMS OF ECONOMIC ASSISTANCE

It should be recognized that providing economic assistance to the former Soviet Union has been an unmitigated failure. I like to divide the history of Western assistance into three phases: first, when Western assistance should have been promised but was not; second, when it was promised but it was not delivered; and third, when it is delivered but it does not work. We are now entering the third phase.

One of the reasons for the failure is that each donor country is acting on its own and is guided by its own interests and not that of the recipients. In my foundation, we describe Western assistance to the formerly communist countries as the "last bastion of the command economy." That may be unavoidable, but at least there ought to be a unified command. In this respect, NATO offers a better culture than the European Commission which has been put in charge of coordinating economic assistance. The G-7 ought to have developed a command structure for dealing with economic aid to the former Soviet Union, but did not. There is much to be gained from giving the task to the Partnership For Peace. For one thing, it would put the emphasis on conflict prevention rather than intervention; for another, it would put the economic cost in the context of the gain in security. Incidentally, it would focus attention on the constituency in the former Soviet Union which is the most important from a security point of view, namely the military. In current economic conditions, even very small expenditures benefitting the military would have a major effect in their attitude and behavior.

A strong case can be made that economic assistance to Russia and the other newly independent states is justified only in the context of a Partnership For Peace. If my earlier analysis is correct, the danger of nationalist dictatorships arising is the greatest after the economy has stabilized. It is imperative to create a structure that obviates the danger.

ECONOMIC COOPERATION

The multilateral structure of the Partnership would be particularly useful in reestablishing economic ties among the member countries of the former Soviet Union. There is an urgent need for some kind of economic union because the Soviet economy was totally centralized with very little redundancy built into the system and if the lifelines are cut, individual countries bleed to death, as the example of Ukraine demonstrates. But the newly independent states justly fear the prospect of renewed domination by Moscow and Western participation could allay their fears.

Perhaps the greatest accomplishment of the Marshall Plan was that it fostered European cooperation. The need for cooperation among the formerly communist countries is even greater than it was in post-war Europe and it is in this field that the Partnership For Peace could make its greatest contribution to security. But the reform and reconstruction of economic ties among the formerly communist countries should not be pursued at the expense of their integration into the European economy. Countries like Hungary have almost completely broken their dependence on the Soviet market; they need better access to European markets more than any other form of economic assistance. By allowing differentiated treatment, including membership in the European Union and NATO, the Partnership For Peace should help fulfill their aspirations.

CONCLUSION

I realize that the mood in the NATO member countries is not favorable for the kind of radical new departure I advocate. But at least the need for it is recognized; otherwise, the paltry measures offered by the U.S. administration would not have been named "Partnership For Peace."

I am convinced that the kind of Partnership For Peace I outlined here is feasible. It would be welcomed by both Russia and the other newly independent states, as well as the countries of Central Europe. It would be far cheaper than allowing the incipient world disorder to develop unhindered. It would change the course of history for the better.

There is little time left before the January NATO summit and President Clinton's visit to Moscow. Nevertheless, I hope that my proposal will receive serious consideration.

GEORGE SOROS
29 November 1993

ADDENDUM*

To be effective, economic aid ought to be minimized and not maximized because it is a means to an end and not an end in itself. The goal of the Partnership For Peace is to create a state of law both within Russia and the other newly-independent states and among them. Without a legal framework there can be no economic development. Economic development does require capital and know-how but it should be supplied by the private sector. The role of foreign aid is to provide an inducement both for the development of the legal framework and for the private sector to participate. In practice, the Partnership for Peace would include little additional financial commitment beyond that which ought to be provided by the G7 process but is not. It would consist mainly of a subsidy to the military in the form of joint exercises.

* George Soros, *A NEW WORLD ORDER: THE FUTURE OF NATO*, The Soros Foundations, New York, 29 November 1993.